

Dog club as agricultural organization. A club that promotes and protects a particular breed of dog not raised or used by members as farm animals is not exempt as an agricultural organization under section 501(c)(5) of the Code, but may qualify for exemption as a social club under section 501(c)(7).

Advice has been requested whether the organization described below qualifies for exemption from Federal income tax under section 501(c)(5) of the Internal Revenue Code of 1954.

The organization was formed to promote and protect a particular breed of dog. Membership is open to anyone who subscribes to its purposes. The organization distributes publications to members describing the accomplishments of the breed and holds dog shows and obedience classes to encourage members to excel in the breeding and training of the dogs. The organization's members do not raise or use the dogs as farm animals.

The organization's income is from membership dues. Disbursements are made for operating expense in connection with the publications and dog shows.

Section 501(c)(5) of the Code provides that agricultural organizations are exempt from Federal income tax.

Section 1.501(c)(5)-1 of the Income Tax Regulations provides, in part, that agricultural organizations contemplated by section 501(c)(5) of the Code are those which have as their objects the betterment of the conditions of persons engaged in agriculture, the improvement of the grade of their products, and the development of a higher degree of efficiency in their agricultural occupations.

'Agriculture', which is the art or science of cultivating the ground, includes preparing the soil, planting seeds, raising crops, and rearing, feeding, and managing livestock. See Rev. Rul. 67-252, 1967-2 C.B. 195.

'Livestock' is defined as the horses, cattle, sheep, and other useful animals kept or raised on a farm or ranch. See THE AMERICAN COLLEGE DICTIONARY 713 (1970).

Since the dogs are not used as farm animals, they cannot be considered livestock. Therefore, by promoting and protecting a particular breed of dog under the circumstances described above, the organization does not have as its object the betterment of conditions of persons engaged in agriculture.

Accordingly, the organization is not exempt from Federal income tax under section 501(c)(5) of the Code. However, it may

qualify for exemption under section 501(c)(7) of the Code. See Rev. Rul. 71-421, 1971-2 C.B. 229.